

PUB Questions, July 27, 2017

1. Has there been an analysis of the costs to decommission the hydroelectric facilities?

No. Because it appeared that this carbon free power resource was viable even in today's power markets there was not a full evaluation of decommissioning costs.

2. What type of major and minor operations and maintenance are expected in the next 5 to 10 years and what are those costs estimated to be?

One upgrade has been recommended in the next 5 to 10 years. That is replacing the mechanical governors with electronic governors. It is anticipated that the governor at PHP 2 would be replaced first at a cost of \$500,000 to \$750,000. Moving from mechanical to electronic governors is an efficiency upgrade and would be completed as funding is available. Other improvements contemplated in the future would be the replacement of the exciters at both powerhouses. No cost estimates or schedules have been identified for this work.

3. Does or would the City get a discounted rate on the electricity they purchase from PGE?

No. Because the Oregon Public Utilities Commission regulates commercial power rates. The agreement with Portland General Electric (PGE) is for PGE to buy power from the City. PGE will pay a negotiated contract rate that is higher than the wholesale market rate for all the power generated from our facility.

4. Please provide more information on the decision-making process to break up the contracts rather than bid the suite of work in a single contract and any analysis of options other than working with PGE that were considered.

Of note, these agreements were not "bid" because they are Intergovernmental Agreements with public power industry agencies.

The original intent was to have two agreements, an operations and maintenance (O&M) agreement and the power purchase agreement (PPA) that would also cover the scheduling and transmission maintenance. As we negotiated the PPA, PGE informed us that they do not have the same nearby staff and facilities to assist with operations and would no longer be able to do the scheduling. They also informed us that the transmission maintenance could not be part of a power sales agreement because of a regulatory separation of functions. Because of this, there are 4 agreements; Power Purchase Agreement; O&M Agreement; Scheduling Agreement; and Transmission Maintenance Agreement.

5. Please provide the draft agreements for the remaining contracts.

Agreements are still being negotiated. Drafts of the agreements will be made available in conjunction with the council work session.

6. If the City were to bid the suite of contracts, could PGE be hired on a contracted basis while this process is taking place?

Of note, these agreements were not "bid" because they are Intergovernmental Agreements with public power industry agencies.

PGE likely would not honor the negotiated prices if we asked to "hire 'them' on a contracted basis". If PGE was willing to take power in the short term, it would be at a rate that looked a lot more like wholesale market rates (significantly less than the contract rates).

Regarding the expense agreements, PGE doesn't have the same nearby staff and facilities to assist with operations that it did when it started running the facility in 1982, with the decommissioning of the Bull Run power plant. They will not have the capability to continue to provide the O&M and scheduling. The expense agreements are shorter term agreements than the power purchase agreement and contracting options can be considered in the future.

7. Can the bureau provide more information on its decision to contract the 24/7 operations and maintenance and scheduling/dispatch work rather than train city employees and has the analysis been done on the cost considerations of contracting versus using City employees?

The value of contracting these services out is that the number of employees at the site can be optimized. There is a larger organization that will be able to provide additional trained operators when the full time operators are sick or on vacation. There is an organization that will provide extra trained personnel when necessary for things like the annual maintenance shut down. The contractor has experienced personnel at other hydro facilities in the Northwest which provides highly experienced resources to support the staff at our site. The contractor has a deep bench providing supervision, training and technical expertise to the employees in the field.

Having City employees complete this work was looked at but a financial analysis was not completed. The issues that would need to be overcome to make this a viable strategy...

- The City currently does not have an employee classification for hydro operations.
- Hydro operators are certified to work on mechanical equipment and electrical equipment, these are typically separate functions within the City classification system.
- A 24/7 operation requires a large number of employees to be available.
- Proper supervision of hydro operator would be required.
- Portland Hydroelectric Project is not large enough to justify its own 24-hour dispatch desk.

8. Can the bureau provide the break-even analysis for the suite of contracts under consideration?

This information will be presented as part of the Council work session, August 8<sup>th</sup>.

9. The City has not finalized a sales deal with PGE. How will the city ensure there be enough revenue from power sales to cover the estimated cost and that this project will not become an expense to tax payers?

This information will be presented as part of the Council work session, August 8<sup>th</sup>.

10. Please provide the detailed analysis of the three possible financial futures that went into making up the slide showing possible financial outcomes over the term of the agreements.

This information will be presented as part of the Council work session, August 8<sup>th</sup>.

11. Liquidated damages were mentioned at the presentation. Can the bureau provide more information on this component of the contract and how liquidated damages will be calculated?

This information will be presented as part of the Council work session, August 8<sup>th</sup>.